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Report Highlights:

- MEXICO ATTRACTS \$5 BILLION DOLLARS OF DIRECT FOREIGN INVESTMENT IN FIRST QUARTER OF 2006
- MEXICO'S RURAL FINANCE BANK LENT \$12.7 BILLION PESOS IN 2005
- HISTORICAL DROP IN INFLATION
- RECENT DEVELOPMENTS TO EXPORT POULTRY TO MEXICO
- FIRM UNDER FIRE FOR USING BIOTECH SEEDS
- ELECTRONIC CERTIFICATES FOR AGRICULTURAL PRODUCTS IMPLEMENTED
- PUBLIC MARKETS SEEK QUALITY CERTIFICATION
- MEXICO'S LOWER HOUSE APPROVES LAW PROMOTING USE OF ETHANOL
- MEXICO'S LOWER HOUSE APPROVES FISHERIES LAW

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO ATTRACTS \$5 BILLION DOLLARS OF DIRECT FOREIGN INVESTMENT IN FIRST QUARTER OF 2006

From January to March of this year, Mexico attracted \$5 billion dollars in direct foreign investment. The country received roughly \$3.8 billion dollars during the same period in 2005. Amongst Latin American countries, Mexico attracted the most direct foreign investment, with \$17.8 billion dollars in 2005, followed by Brazil with \$15.5 billion. Government officials attributed Mexico's success in attracting foreign direct investment to the country's relatively high per capita annual income of \$7,450 dollars, compared to \$6,220 dollars in Chile, \$4,510 dollars in Argentina, and \$4,300 dollars in Brazil. (Source: El Financiero, 04/16/06)

MEXICO'S RURAL FINANCE BANK LENT \$12.7 BILLION PESOS IN 2005

The Rural Financial Bank (formerly Banrural) announced that in 2005 the institution lent \$12.7 billion pesos in credit to Mexico's farmers, and realized a profit of \$420 million pesos. This is particularly notable since 2005 was the first time since 1975 that Banrural has made a profit. (Source: Notimex, 04/16/06)

HISTORICAL DROP IN INFLATION

According to the Banco de Mexico (BANXICO), last month Mexico's inflation was approximately 0.13 percent, as calculated by the National Consumer Price Index (INPC). This rate of inflation was the lowest for the month of March since 1969, and significantly less than the 0.18 percent that experts were expecting. (Source: 04/16/06)

RECENT DEVELOPMENTS TO EXPORT POULTRY TO MEXICO

The USA Poultry and Egg Export Council (USAPEEC) office in Mexico has updated a report with questions and answers about exporting U.S. poultry and eggs to Mexico. This report was sent out in a local newsletter called "¡Entre Amigos!" to nearly 1,000 local trade contacts. The report includes updates on the import quotas for chicken leg quarters under the U.S.-Mexico safeguard agreement, the status of the new import sanitary permits (HRZs), wood packing materials regulations, and other current information. Links to the

USDA FSIS/Export Library and the Mexican Department of Agriculture website were also included. (Source: USAPEEC/Mexico)

FIRM UNDER FIRE FOR USING BIOTECH SEEDS

On Wednesday April 10, 2006, the Secretariat of the Environment announced that the Mexican branch of Monsanto Co., the world's largest biotech seed company, planted genetically altered cotton on several plots of land in northern Mexico without proper authorization. In a news release, the Secretariat stated that the company could face fines for undertaking "activities with genetically modified organisms without getting permits and the respective authorizations." The release also stated that the Secretariat of the Environment would solicit the intervention of the Agricultural Secretariat, which can impose administrative sanctions. The Mexican branch of the St. Louis-based Monsanto planted the cottonseed in an area covering approximately 100 hectares (247 acres) in the northern state of Sonora, the released stated. The GOM said Monsanto only had permits to plant genetically modified seed in other areas of Sonora. Monsanto officials could not be reached for comment. Genetically modified cotton has been altered to add beneficial traits such as resistance to insects and weed-killing chemicals. Critics of such plants worry about risks such as the development of "super-weeds" impervious to herbicides (Sources: El Universal; April 13, 2006)

ELECTRONIC CERTIFICATES FOR AGRICULTURAL PRODUCTS IMPLEMENTED

The GOM announced the investment of \$80 million pesos (US \$7.2 million) to set up electronic certificates for agricultural products, a project expected to begin on June 15. This will speed up procedures and provide further security for technical information for cross-border shipments. Francisco Lopez, Undersecretary of Agriculture, commented on the differences between electronic documents and traditional paper certificates, especially on security issues. Technical information, methodology, and applicable regulations are currently under review by the Regulatory Improvement Commission in order to have the project underway by mid-June. (EL SOL DE MEXICO, APR.17)

PUBLIC MARKETS SEEK QUALITY CERTIFICATION

Mexico's National Confederation of Public Market Wholesalers is setting up a quality certification program to keep up with the retail markets' trend of demanding consistent quality compliance. Poor handling, almost non-existent post-harvest treatments, and irregular quality control has prevented wholesalers in public markets from gaining access to retail operations like Wal-Mart, Soriana, and HEB. The \$2.5 million peso (U.S. \$225,000) project is designed to apply Safe Quality Food (SQF) certification to 100 retail suppliers operating in public markets. SQF is an international standard recognized by supermarket chains worldwide. Approximately 14 billion metric tons of merchandise are annually sold through Mexico's network of public markets. (EL UNIVERSAL, APR.18)

MEXICO'S LOWER HOUSE APPROVES LAW PROMOTING USE OF ETHANOL

This week, Mexico's Lower House approved a modification to article 21 of the Sustainable Rural Development Law. The modification, presented by Rep. Carlos Blackaller (PRI, Jalisco), promotes the use of ethanol as an alternative fuel for motor vehicles. This change, along with the establishment of a task force – a Commission including the Ministries of Agriculture,

Economy, Environment, Finance, Communications & Transport, Health, Social Development and Energy - will seek to benefit corn and sugar cane growers by offering them an alternative use for their products. The modification will be sent to the Senate for discussion and final approval. (MILENIO, APR.20)

MEXICO'S LOWER HOUSE APPROVES FISHERIES LAW

With 363 votes in favor, Mexico's Lower House approved the General Law for Fisheries and Sustainable Aquaculture. The Law is designed to regulate, promote, and manage fishing resources, boost the fishing industry, and protect Mexico's seafood sovereignty. The Law defines the concept of fishing and aquaculture sustainability, clarifies Federal, State and Municipal responsibilities, and creates the conditions for active involvement of the fishing industry in the creation of public policy through State Fishing and Aquaculture Councils. The modification will be sent to the Senate for discussion and final approval, in accordance with Congress' legislative process. (EL SOL DE MEXICO, APR.20)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX6030	Dried Fruit Annual	4/11/06
MX6029	Sugar Annual Report	4/10/06
MX6028	Oilseeds and Products Annual	4/10/06
MX6027	Weekly Highlights and Hot Bites #14	4/7/06
MX6026	Weekly Highlights and Hot Bites #13	3/31/06
MX6025	Weekly Highlights and Hot Bites #12	3/24/06
MX6024	Dairy Import Cupos	3/22/06

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